

STATE OF IOWA
BEFORE THE IOWA UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2021-0003
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NON-UNANIMOUS STIPULATION AND SETTLEMENT AGREEMENT

Article I – Introduction

On November 2, 2021, Interstate Power and Light Company (IPL) filed with the Iowa Utilities Board (Board) an application requesting that the Board specify advance ratemaking principles for IPL's construction and ownership of 400 MW of solar generating facilities and a 75 MW battery energy storage system (BESS) in Iowa (Application).

The generating facilities subject to this Settlement Agreement include the following: a 50 MW solar development known as Duane Arnold Solar I (DAS I Project); a 150 MW solar development known as Duane Arnold Solar II (DAS II Project); a 50 MW solar development known as the Creston Solar Project (Creston Project); a 150 MW solar development known as the Wever Solar Project (Wever Project) (collectively the Projects).

Article II – Purpose

This Stipulation and Settlement Agreement has been prepared and executed by IPL and the Office of Consumer Advocate, a division of the Iowa Department of Justice (Settling Parties), for the purpose of resolving all issues among the Settling Parties regarding the Projects. In consideration of the mutual agreements set forth herein, the Settling Parties stipulate their belief that the Board should issue an order that allows the terms and provisions of this Stipulation and Settlement Agreement to be fully implemented.

Article III – Ratemaking Principles

The Settling Parties agree to support the Application with respect to the following ratemaking principles:

Rate Making Principle		Description
1	Cost of Equity	The allowed rate of return on common equity capital on the portion of the actual Project costs incurred by IPL under Ratemaking Principle No. 3 (Cost Cap) that are included in Iowa electric rate base, shall be 10.75 percent.
2	Depreciable Life	<p>The depreciable life of the Projects for ratemaking purposes shall be 30 years.</p> <p>IPL shall be permitted to revise each depreciable life above, in addition to recovery of costs of removal, in the event an independent depreciation expert provides support for a different useful life and a change in depreciable life is approved by the Board in a contested rate case proceeding.</p>
3	Cost Cap	IPL shall be permitted to include in rates the actual costs of the Projects up to \$735,002,100 on a cumulative basis, inclusive of Allowance for Funds Used During Construction (AFUDC), other deferred carrying costs, all transaction costs, and all costs of transmission network upgrades, upgrades required as a result of Midcontinent Independent System Operator studies, generator tie lines, transmission interconnection and any other appurtenant facilities associated with the foregoing, whether owned by IPL or any other entity, without the need to establish prudence or reasonableness. In the event that actual costs are lower than the projected costs, rates shall recover only actual costs. In the event actual costs exceed the cost cap, IPL shall be required to establish the prudence and reasonableness of any excess before it can be included in rates and the cost of equity for those additional costs will be at the cost of equity approved for IPL's other rate base that is not subject to advance ratemaking principles. IPL shall only be permitted to recover from customers those actual costs of the Projects incurred by IPL.

4	Cancellation Cost Recovery	<p>In the event IPL cancels any aspect of the Projects for good cause, IPL's prudently incurred and unreimbursed costs shall be amortized over a period of ten years beginning no later than six months after the cancellation. The annual amortization shall be recorded above-the-line and included IPL's revenue requirement calculations, but the unamortized balance shall not be included in rate base in any such calculations.</p>
5	Treatment of AFUDC and Carrying Costs on Investment During Construction	<p>IPL shall accrue AFUDC on all construction costs of the Projects recorded to Construction Work in Progress.</p> <p>IPL shall accrue carrying costs on those amounts in FERC Account 182.3 (Other Regulatory Assets) using the pre-tax weighted average cost of capital.</p> <p>The AFUDC rate and pre-tax weighted average cost of capital shall be calculated based upon IPL's currently authorized Return on Equity. The AFUDC rate will be calculated consistent with the Uniform System of Accounts formula prescribed for public utilities subject to the provisions of the Federal Power Act.</p>
6	Environmental Attributes	<p>Subject to Ratemaking Principle No. 8 (Matching Principle), the Iowa jurisdictional portion of any revenues from the sale of renewable energy credits (RECs) and carbon credits generated by the Projects shall be recorded above-the-line by IPL. IPL's customers shall be entitled to the full value of any renewable energy credits, carbon credits, and environmental emission allowances generated except those needed for compliance with applicable regulatory requirements and that are associated with investment included in IPL's Iowa jurisdictional rate base (Environmental Attributes). IPL shall use commercially reasonable efforts to maximize the value of customer Environmental Attributes associated with the Projects.</p> <p>Electing Customer Program: LGS, LGS-Supplementary and High Load Factor customers may elect to require IPL to retire RECs equal to customer's pro rata share of load served by energy produced by the Projects, provided such REC retirements do not jeopardize IPL's compliance with environmental requirements.</p>

7	Tax Equity	IPL will seek Board approval of applicable financial terms, through a reorganization docket, prior to using tax equity financing in the event that IPL determines that tax equity financing would be more beneficial for customers than traditional utility financing using the enhanced tax benefits provided by the Inflation Reduction Act of 2022.
8	Matching Principle; Jurisdictional Allocations	<p>Until the Projects are being recovered in IPL's rates, each month 100 percent of the Iowa retail share of the benefits from the Projects, including energy market revenue and federal Production Tax Credits, shall be excluded from IPL's Energy Adjustment Clause (EAC), the Renewable Energy Rider, or any other cost recovery mechanism.</p> <p>Notwithstanding the foregoing:</p> <ul style="list-style-type: none"> i. Beginning on the date that the DAS I Project is placed in service and ending on the date that the capital costs of the DAS I Project begin being recovered in customer rates, IPL shall provide monthly payments of \$250,000; ii. Beginning on the date that the DAS II Project is placed in service and ending on the date that the capital costs of the DAS II Project begin being recovered in customer rates, IPL shall provide monthly payments of \$750,000; iii. Beginning on the date that the Creston Project is placed in service and ending on the date that the capital costs of the Creston Project begin being recovered in customer rates, IPL shall provide monthly payments of \$250,000; and iv. Beginning on the date that the Wever Project is placed in service and ending on the date that the capital costs of the Wever Project begin being recovered in customer rates, IPL shall provide monthly payments of \$750,000. <p><i>Provided, 50% of each such payment in (i)-(iv) above shall flow to customers through the EAC and 50% of each such payment in (i) and (ii) above shall be used to reduce the depreciable balance of IPL's highest earning ROE in service, which is currently the Emery Generating Station.</i></p>

9	Request for Waiver of Reorganization Requirements	IPL will withdraw, without prejudice, its request for a waiver of reorganization requirements with respect to tax equity financing. To the extent a reorganization proceeding is required for the acquisition of the Projects, the reorganization requirement will be waived.
10	Consumer Protection Plan	<p>The Projects shall be subject to a consumer protection plan described as follows:</p> <p>The consumer protection plan will be based on the aggregated summer capacity factor for the Projects in each calendar year. The summer period will be defined as the months of June, July, and August.</p> <p>The consumer protection plan shall begin on January 1 of the first year after the Projects are placed in service and shall end three (3) calendar years after the last year of the initial PTC period for the Projects (not including any potential extension due to repowering).</p> <p>Under the terms of the consumer protection plan, the targeted summer solar capacity factor for the Projects is 31.0% in the first year of operation and penalties will be assessed when the three-year rolling average summer capacity factor for the Projects is below 27.9%, in each case subject to a 0.7% solar panel degradation rate allowed each year and subject to exclusions for force majeure events as defined in Exhibit A hereto. Credits will be assessed when the three-year rolling average summer capacity factor for the Projects is equal to or greater than 34.1%. The MWh subject to penalty or credit shall be as set forth in the “Lookup for Penalty” tab of the worksheet filed as Exhibit B to the RPU-2021-0003 settlement Stipulation and Settlement Agreement.</p> <p>Penalties or credits will be capped at \$3 million annually in the aggregate, and the total penalty will be capped at \$15 million in the aggregate over the term of the consumer protection plan. Credits or penalties earned or imposed, respectively, in a given calendar year shall be offset against one another and shall contribute to the accumulated sharing balance with no penalty payment until the program ends. A negative (penalty) accumulated sharing balance at the end of the program shall be addressed in IPL’s next rate review following the end of the program; a positive balance shall be treated as a zero balance and shall not result in any return to IPL.</p>

11	Resource Evaluation Study	IPL will agree to conduct additional generation planning in the form of a resource evaluation study within the next 24 months from the date of the Settlement Agreement. During that 24-month period, IPL will engage in a stakeholder process involving Board staff and Settling Parties regarding planning assumptions and model results. Upon the written request of each Settling Party, IPL shall make available, at no cost, a license authorizing the use by each Settling Party of the Aurora Energy Forecasting and Analysis software (or such other modeling software as IPL may use for the resource evaluation study) for the limited purpose of facilitating each Settling Party's participation in the resource evaluation study.
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Article IV – Motions

The Settling Parties shall jointly file with the Board this Stipulation and Agreement in support of the Application. The Settling Parties agree to confirm their agreement to the terms of this Stipulation and Agreement and represent to others the fairness of the result. The Settling Parties will file with the Board a motion requesting that the Board accept this Stipulation and Settlement Agreement without condition or modification.

Article V – Condition Precedent

This Stipulation and Settlement Agreement shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.

Article VI – Limitation

This Stipulation and Settlement Agreement is made pursuant to Iowa Code § 17A.10 and 199 I.A.C. § 7.18. This Stipulation and Settlement Agreement relates only to the specific matters referenced herein, and no Settling Party waives any claim or right that it may otherwise have with respect to any matter not expressly provided for herein. Except as expressly provided in this Stipulation and Agreement, no Settling Party shall be deemed to have approved, accepted,

agreed or consented to any ratemaking principle, any method of cost-of-service determination, or any method of cost allocation underlying the provisions of this Stipulation and Settlement Agreement or be prejudiced or bound thereby in any other current or future proceeding before any agency. Except as necessary to implement Article IV, this Stipulation and Settlement Agreement shall not, directly or indirectly, be referred to as precedent in any other current or future proceeding before the Board except with the written consent of the signatories.

Article VII – Execution

To facilitate and expedite execution, this Stipulation and Settlement Agreement may be executed by the Settling Parties in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully executed document binding upon all the Settling Parties. The facsimile signatures of the Settling Parties shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

Article VIII – Modification and Amendment

This Stipulation and Settlement Agreement shall not be amended or modified except by an instrument in writing signed by all Settling Parties.

Article IX – Term

This Stipulation and Settlement Agreement shall remain in effect as long as the Projects covered by the Ratemaking Principles in Article III continue to provide regulated electric service to Iowa consumers.

Article X – Binding Nature

This Stipulation and Settlement Agreement shall be binding on the Settling Parties. Except as provided in Article VIII, the Settling Parties shall take no actions directly or indirectly

to eliminate or otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

Article XI – Further Assurances

The signatories agree to cooperate in order to effectuate the full and complete intent of the Settling Parties as expressed in this Stipulation and Settlement Agreement.

Article XII – Entire Agreement

This Stipulation and Settlement Agreement, including the exhibits identified in the recitation of principles set forth in Article III, contains the entire agreement between the Settling Parties and supersedes all prior agreements between the Settling Parties, written or oral, relating to the matters addressed herein. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Settlement Agreement.

Dated this 1st day of August, 2023.

Interstate Power and Light Company

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EXHIBIT A to Stipulation and Agreement

Consumer Protection Plan – Force Majeure Definition and Process for Documenting Capacity Factor and Force Majeure Claims

I. Force majeure definition

The term “Force Majeure” means any act that (i) inhibits Project operations or the transmission of Project generation, (ii) could not reasonably be anticipated as of the date of this Agreement, (iii) is not within the reasonable control of, or the result of negligence, willful misconduct, breach of contract, intentional act or omission or wrongdoing on the part of IPL, and (iv) by the exercise of due diligence IPL is unable overcome or avoid or cause to be avoided, including but not limited to acts of God (including fire, flood, earthquake, extremely severe storm, lightning strike, hail, tornado, derecho, or a similar natural disaster); change in law, act of the public enemy; war (including civil war); insurrection; riot; explosion; terrorist activities; transmission constraints due to reasonably unforeseen generation retirements or study errors by a regional transmission organization or independent system operator, or any act, failure to act, order regulation or restriction imposed by governmental, military or lawfully established civilian authorities; any system emergency, condition or circumstance that the transmission provider determines is likely to endanger life or property, have a material adverse effect on the transmission system, result in power flow or adverse system conditions beyond the transmission system, or materially interfere with the provision of transmission service to IPL; any of which materially affect the aggregate capacity factor achieved by the Projects. In any instance of alleged Force Majeure event IPL shall (i) notify the parties to the Agreement as set forth below; and (ii) exercise due diligence and commercially reasonable efforts to mitigate the effects of the Force Majeure on Project capacity factors. The relief from performance with respect to the Consumer Protection Plan shall be of no greater scope and of no longer duration than is required by the Force Majeure.

Without limiting the generality of the foregoing, a Force Majeure does not include any of the following (each an “Unexcused Cause”): (1) output or operational restrictions arising from impacts to protected species (including birds and bats); (2) events arising from the failure by IPL to operate or maintain constructed facilities that have been made operational; (3) any increase of any kind in any cost; (4) any changes in the financial condition of IPL or any subcontractor or supplier affecting IPL’s ability to operate and maintain the facilities; (5) IPL’s inability to obtain a sufficient solar resource to operate the facilities; (6) disconnection of service under an interconnection agreement; or (7) inability to attain regulatory approvals (despite diligent efforts). In any instance of an alleged Force Majeure event, any party may object to or otherwise move to challenge the classification of such an event as set forth below.

II. Process for annually documenting capacity factor achieved and any force majeure claims

- A.** IPL will file a status update for the Projects as part of the semi-annual reports IPL files for the Projects in this docket. Each semi-annual status update will be filed on March 1 and September 1 each year.

- B. As part of the status update due March 1 of each year, IPL will for each preceding calendar year in which the Consumer Protection Plan ("CPP") is in effect report the aggregate capacity factor achieved by the Projects in that calendar year, unadjusted and adjusted for any Force Majeure event(s) claimed, if any.
- C. For each Force Majeure event claimed, IPL shall specify:
 - a. The circumstances of the event;
 - b. The duration of the event;
 - c. Efforts undertaken by IPL to mitigate the effects of the event;
 - d. The adjustment to the aggregate capacity factor claimed for the Projects as a result of the event, along with its method of calculation.
- D. Parties shall have the right to contest the capacity factor filed or any Force Majeure event claimed as set forth herein:
 - a. Any party who objects to the adjusted aggregate capacity factor or any force majeure event claimed by IPL shall file, within sixty (60) days of IPL's filing of its March 1 status report, an objection and the reasonably detailed bases therefor with the Board;
 - b. If no party timely objects and the Board takes no action, the adjusted capacity factor filed with the March 1 status report shall be deemed to be the average aggregate capacity factor of the Projects for the calendar year prior to the filing of IPL's March 1 status report.
 - c. If any party timely objects, IPL and the applicable party shall work in good faith until August 1 following the March 1 status report to resolve the objection. IPL shall file a report regarding the status of resolution of the dispute with its September 1 status report immediately following the March 1 status report.
 - d. If, in its September 1 status report, IPL reports that IPL and the part(ies) are unable to resolve the objection(s) by August 1, the Board shall conduct a contested case proceeding and issue a decision with respect to the dispute, which shall be subject to review as set forth in the chapter 17A of the Iowa Code and the Board's rules.
 - e. The parties shall have the right to reasonable discovery under the Board's rules to implement the purposes of this paragraph, including during the objection and voluntary resolution phases.
 - f. The average aggregate capacity factor for the Projects determined pursuant to this paragraph shall be used in the calculation of the rolling three-year average capacity factor under the CPP.